



***Program Compliance Office
Cal Grant and Specialized Programs Review Report***

1999-00 Award Year

**Santa Barbara Business College
Program Review ID#80200998900
and 80202578000**

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Program Review Dates:

January 30, 2002 –January 31, 2002

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AUDITOR'S REPORT

SUMMARY

We reviewed Santa Barbara Business College's administration of California Student Aid Commission (Commission) programs for the 1999-2000 award year.

The institution's records disclosed the following Cal Grant program deficiencies:

- Missing Federal Student Aid Report
- Incorrect Renewal Unmet Need Reported
- 1999-00 Cal Grant Account Not Reconciled

The institution's records disclosed no State Workstudy program deficiencies.

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grant B and C
State Workstudy

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Private Proprietary
- President: Dean Johnston
- Accrediting Body: Accrediting Council for Independent Colleges and Schools
- Size of Student Body: Santa Barbara (98), Santa Maria (201)

B. Institutional Persons Contacted

- Andrea Georges: Corporate fiscal Officer

C. Financial Aid

- Date of Prior Commission Program Review: None
- Branches: None
- Financial Aid Programs: Federal: Pell, Grant, SEOG, Workstudy, Perkins, Family Education Loan Program
State: Cal Grant B and C, State Workstudy
- Financial Aid Consultant: Norma Ford and Associates

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility and Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 6 Cal Grant students who received a total of 3 Cal Grant b awards and 3 Cal Grant C awards within the review period. The Cal Grant program review sample was selected to include all students awarded.
- Reviewing the records from a sample of 11 State Workstudy students who received payments within the review period. The State Workstudy program review sample was selected from a total of 15 students awarded.

This review was conducted in accordance with **Government Auditing Standards** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the institution's financial statements.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

6CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The findings were discussed with agency representatives in an exit conference on January 31, 2002. The agency staff concurred with all findings.

January 31, 2002

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS (continued)

B. APPLICANT ELIGIBILITY

FINDING: **Missing Federal Student Aid Report**

A review of 6 student files revealed 3 cases where student eligibility could not be determined because the institutional student information record (ISIR) was missing.

DISCUSSION:

Federal output documents, such as the Institutional Student Information Report (ISIR), are required to determine student eligibility to receive Cal Grant funds. For the Cal Grant program, the ISIR confirms the citizenship of the recipient, indicates if the student is a California resident, displays the expected family contribution calculated from the family income and assets, and reports if the applicant has passed critical edits in order to receive student financial aid.

For Cal Grant recipients Nos. SB3 who received \$964, SM1 who received \$470, and SM2 who received \$446, the institution could not provide the auditor the students' 1999-2000 ISIR's.

REFERENCES:

Institutional Agreement, II.H and II.L
Cal Grant Manual, Chapter 2
Student Financial Aid Handbook 1999-2000, Institutional Eligibility and Participation, Chapter 8: Recordkeeping and Disclosure, pages 193-196

REQUIRED ACTION:

Unless the institution can provide the 1999-00 ISIR's for students Nos. SB3 and SM2, the institution is required to repay the ineligible amount of **\$1,410** (\$964 and \$446). For student No. SM1 who was paid \$470, see Finding F, 1999-00 Cal Grant Account, for the required action. Repayment instructions are located at the conclusion of this report.

In addition, the school must provide and implement written procedures and measures to ensure that the current ISIR is on file to document a student's eligibility for payment.

INSTITUTION RESPONSE:

SBBC has reviewed this finding and agrees with the auditor that there was no record of a Federal output document in the students' files.

After careful review of the CAL Grant Program Manual, SBBC was unable to find reference to an ISIR requirement for CAL Grant eligibility. The CAL Grant program manual has not published a requirement for an ISIR (Chapter 2).

FINDINGS AND REQUIRED ACTIONS (continued)

However, it does require certification by the college that the students have met the following eligibility requirements:

- California resident;
- U. S. citizen, permanent resident, or able to establish domicile;
- Not have earned a B. A. or B. S. degree;
- Not be in default on a federal loan or owe a refund on a federal or state grant; Expected family contribution;
- Student must pass the critical program edits to receive student financial aid

Although maintaining the ISIR for the year the student was receiving CAL Grant funds would resolve many of the eligibility requirements, SBBC can establish that these students have satisfied these requirements. The documentation provided in **Exhibit A** will provide the auditor documentation of the eligibility for students SB-3, SM-2 and SM-I. In addition, the CAL grant roster provides the College with an official 1999/2000 expected family contribution as well as edits to determine California residency status and income and asset Ceilings.

Students cited in the finding did not receive any Federal Student Aid funds for the fiscal Year 1999-2000; therefore, an ISIR is not required to determine eligibility.

Santa Barbara Business College has recently implemented procedures to ensure that student eligibility is verified prior to disbursing Cal Grant funds. These procedures are included as **Exhibit B**.

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required. The new institutional agreements for the 2003/04 award year will be revised to include specific requirements for documentation of Cal Grant eligibility.

D. ROSTERS AND REPORTS

FINDING: Incorrect Renewal Unmet Need Reported

A review of 1 Cal Grant B renewal recipient revealed that the reported renewal unmet need was not correct.

DISCUSSION:

For renewal students, schools must calculate a student's unmet need and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need

FINDINGS AND REQUIRED ACTIONS (continued)

amount on the Grant Roster or the Commission G-21 letter so the student's maximum Cal Grant award determination is correct. Net unmet need is defined as student's cost of attendance (COA) minus the Expected Family Contribution (EFC) and Pell grant.

For student No. SM3, the institution reported the COA as the Cal grant renewal unmet need on the grant roster and did not take into consideration the Pell Grant award.

REFERENCES:

Institutional Agreement, Article II, Section J
Cal Grant Manual, Chapter 4, pages 4-2 and 4-3
Cal Grant Manual, Chapter 5, page 5-15

REQUIRED ACTION:

No liability resulted due to the high unmet need. The financial aid office must update the Cal Grant policies and procedures to ensure the renewal Cal Grant B unmet need is calculated correctly using Commission guidelines and documented in the student financial aid records.

INSTITUTION RESPONSE:

SBBC has reviewed this instance and agree with the auditor's finding.

Santa Barbara Business College has incorporated into its procedures a CAL Grant File Checklist to ensure the renewal CAL Grant B unmet need is calculated correctly using Commission guidelines and document in the student financial aid records. This checklist is located in **Exhibit C**.

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY FOR PROGRAM FUNDS

FINDING: 1999-00 Cal Grant Account Not Reconciled

A review of the institution's 1999-00 reconciliation documents revealed that the Cal Grant account was not reconciled.

DISCUSSION:

California Grant participating institutions are required to reconcile their accounts with the funds received from the Commission for each award year. Should the institution's records of individual payments to eligible students be less than the amount the Commission paid, the institution must return the difference to the

FINDINGS AND REQUIRED ACTIONS (continued)

Commission. Schools are also required to make all disbursements and report all payments for the year no later than September 30 following the award year (i.e., 9/30/00 for the 1999-00 award year).

At the latest, institutions must report all payment transactions prior to the start of the month-end processing the following November. *The school could bear the liability for payments not reported prior to the November month-end processing cycle.*

For the 1999-00 award year, Santa Barbara Business College reported \$8,885 in Cal Grant payments to the Commission. During the on-site a comparison of the Commission records and the institution's records was performed. The comparison revealed discrepancies in the amount of Cal Grant funds disbursed.

Listed below are 4 students that the school paid less than what the Commission advanced in Cal Grant funds for a total of **\$4,585**.

1999-00 Comparison of the School's Report and CSAC Records

| ID | CSAC PAID | SCHOOL PAID | FUNDS TO RETURN TO CSAC |
|--|-----------|-------------|-------------------------|
| SB2 | \$ 2,890 | \$ 1,926 | \$ 964 |
| SM1 | 470 | 0 | 470 |
| SM2 | 693 | 446 | 247 |
| SM3 | 2,904 | 0 | 2,904 |
| Total Undisbursed Cal Grant Funds | | | \$ 4,585 |

Additionally, it was discovered that there were 2 students that the school disbursed Cal Grant funds, however, the Commission did not advance funds for these students for a total of \$1,681. Unfortunately, the school bears the liability for the payments for these students and the school will not be reimbursed.

Students Not Reimbursed By CSAC

| No. | CSAC Paid | School Paid | School Overpaid |
|------------------------------|-----------|-------------|-----------------|
| 1X | \$ 0 | \$ 964 | \$ 964 |
| 2X | 0 | 717 | 717 |
| Total School Overpaid | | | \$1,681 |

In summary, the comparison of the "Financial Aid Office Cal Grant Paid by Semester" and Commission records resulted in the following:

| | | |
|--------|--------------|--|
| AMOUNT | \$ 5,981 | School Disbursed |
| LESS | <u>1,681</u> | Not Reimbursed By CSAC (School Overpaid) |
| EQUALS | \$ 4,300 | Reimbursable Amount |
| | | |
| AMOUNT | \$ 8,885 | Total Advanced Funds by CSAC |
| LESS | <u>4,300</u> | Less Reimbursable Amount |
| EQUALS | \$ 4,585 | Funds to be Returned to CSAC |

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

California Education Code, 69535.5
Institutional Agreement, Article II.A, III.B.7, III.C.1, III.C.2
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, pages 9-6, 9-7 and 9-11

REQUIRED ACTION:

Santa Barbara Business College must return the funds for students who are identified as having undisbursed Cal Grant funds of **\$4,585** for the 1999-00 award year. Repayment instructions are provide at the conclusion of this report. Reconciliation procedures must be submitted with the draft response.

In addition, the school must review the 2000-01 payments and all discrepancies must be identified in a spreadsheet. The data elements to be included in the spreadsheet are listed below and must be sorted by student's last name, and the student's first name.

- Student Social Security Number
- Student's Last Name
- Student's First Name
- Campus (Santa Barbara or Santa Maria))
- Type of Cal Grant Award (Cal Grant B or Cal Grant C)
- Fall Term Payment-CSAC
- Fall Term Payment-School
- *Fall Return to CSAC*
- Fall School Overpaid
- Spring Term Payment-CSAC
- Spring Term Payment-School
- *Spring Return to CSAC*
- Spring School Overpaid

2000-01 Funds identified, as 'Return to CSAC' must be returned as indicated in the repayment instructions.

Moreover, the institution must implement procedures for Cal Grant reconciliation that provide the controls that ensure Cal Grant funds are reconciled MONTHLY between the Financial Aid Office, the Accounting Office, and the Commission.

As a reminder, the Commission provides resources to assist institutions in the reconciliation process. The following three reports are provided to institutions on a monthly or weekly basis to help reconcile Cal Grant payments: Grant Roster (monthly), Grant Accept/Reject Report (weekly), and Payment Activity Report (monthly).

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

SBBC has reviewed this finding and concurs with the auditor's finding.

Since the audit, Santa Barbara Business College has reconciled the 1999-00 and 2000-01 award years. **Exhibit D** and **E** include a detailed reconciliation of both years. The reconciliation balances with the commission's final Monthly Payment Activity Report.

For the 1999-00 award year, the Santa Barbara Campus has a liability of \$964.00, and the Santa Maria Campus has a total liability of \$717.00. Therefore, the total liability for both locations is \$1,681.00.

In addition, after further review of the CAL Grant documents FOR 1999-00, SBBC never deposited the check that was issued for Erica White (SM3). This check was returned to the Commission on December 12, 2000. Documentation of this information is included as **Exhibit F**. In addition, on May 31, 2002, I spoke with Damion Scribner, from the Reconciliation Department of the Commission, and he was able to look into the Commission's database and found notes referencing this incident.

For the 2000-01 award year, the Santa Barbara Campus has a liability of \$962.00, and the Santa Maria Campus has a liability of \$3,550.00. These liabilities are a result of each location having these funds remaining from the funds advanced. In addition, a majority of the Santa Maria Campus liability was due to the fact that the school failed to post the Spring disbursements into the Web Grant database. Per the instructions indicated in the Required Action, SBBC has marked these funds as "Return to CSAC" and has returned these funds according to the repayment instructions.

Also, as required, SBBC has implemented procedures for CAL Grant reconciliation that provide the controls that ensure CAL Grant funds are reconciled monthly. A copy of this procedure is located in **Exhibit G**.

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE
